

TOWN ADMINISTRATOR

FY-07 BUDGET RECOMMENDATION SUMMARY

The following paragraphs include information relating to the Town's FY-07 Budget and they intend to provide a summary text supporting the Town Administrator's FY-07 budget funding recommendations which are contained in the FY-07 Budget Report that accompany this Summary. The FY-07 Budget Report is a chart of accounts which contains all of the FY-07 income and expense estimates for the FY-07 Town Budget. Some of the budget income estimates contained in the following paragraphs are subject to possible change between the time of this recommendation and the conclusion of the budget development process at the annual Town meeting based on updates to tracking information.. On the expenditure side of the FY-07 Budget, this Summary report contains the Town Administrator's FY-07 funding recommendations being provided to the Selectmen and the Finance Committee. This Summary, together with the FY-07 Budget Report, are intended to be used by both Boards and the public for informational purposes.

ESTIMATED FY-07 REVENUES:

On the income side of the FY-07 Budget ledger, I am currently estimating that the Proposition 2 and ½ Levy Limit will increase in FY-07 approximately 5.51% above FY-06. This figure of \$15,762,280 includes \$373,470 in the 2.5% allowance together with an estimated New Growth increase of \$450,000. It is possible that the New Growth figure will change by some amount before the process is completed as the Assessors continue their evaluative process during the next several weeks. Together with the other recurring revenue sources (i.e. Local Aid and Local Receipts), I have been estimating a 6% increase in the Town's total recurring revenues. Combined with my recommended use of Free Cash, I estimate a total revenue increase of 6.37%

In addition to the property tax income estimated in the Levy Limit number above, I am estimating a 10% increase in the Town's Local Aid revenues from the state in FY-07. Currently, there is no agreed upon Local Aid number assigned to Stow, and that number will not be known until the state budget is passed several months from now. I am estimating a Local Aid number which is less than the number presently assigned to Stow in the Local Aid package as contained in the Governor's FY-07 Budget proposal. The House and the Senate have not offered their FY-07 Budget proposals at this time and I am not comfortable assuming that the House and Senate will offer municipal Local Aid at the same level that is offered in the Governor's Budget proposal. However, before my FY-07 Budget is finalized this Local Aid revenue estimate may be adjusted depending on whether there is information from the state which indicates a consensus on municipal Local Aid between the Governor, Senate and House. I will be following the budget

development process at the state level in determining whether to make any adjustment in this revenue source. If it does change, it should not be significant.

I am estimating a 5% increase in the Town's Local Receipt revenues in FY-07. Through the end of 6 months, the Town's actual FY-06 Local Receipts income is tracking year to date at about 86% of the total for the same 6 months year to date period last year. The primary cause for the year to date decrease in the FY-06 Local Receipts is the 28% decrease in the amount of motor vehicle excise collected in FY-06 as compared to FY-05. However, we have experienced a similar lag in the collection of motor vehicle excise over the first 6 months of a FY in the past and still closed the books with an overall increase in Local Receipts income. The collection of motor vehicle excise in the last quarter of a fiscal year has on occasion made up for an otherwise sluggish first 6 months. I will continue to track FY-06 Local Receipts and will adjust this revenue estimate if necessary before the FY-07 Budget is finalized. The FY-07 Local Receipts income estimate I am currently carrying as a plug number is \$1,531,005.

Another revenue source for the Town is the annual School Building Assistance (SBA) program financial reimbursement that Stow receives from the state Department of Education (DOE) for the Hale School construction project completed several years ago. Until this fiscal year the Town had been receiving only partial SBA financial reimbursement for the Hale School project; however, with completion of the SBA program audit last fall, the Town will begin to receive its full financial reimbursement of \$542,576. Until this year, the Town had been receiving \$346,495 in annual SBA reimbursements. This amount served only as partial payment toward the Town's total annual loan payment for the \$9,000,000 Hale School project.

This adjustment in the Town's annual SBA reimbursement represents a \$196,000 increase in annual revenues above previous years, and these equal annual SBA payments will continue for the next 15 years. There will be no further adjustments in this annual revenue source. This annual \$542,576 state reimbursement amount is credited to the Town in the form of a payment made directly by the state to the NRSD as partial payment of the Town's total annual District assessment. The Town will begin to receive its full annual SBA reimbursements payments this fiscal year; and this unexpected income increase of \$196,000 in FY-06 will add significantly to the Town's savings in FY-07 in the form of increase of Free Cash.

The Town's Free Cash account is included as a revenue source as part of my FY-07 Budget recommendations. Regularly, the Town will annually expend some amount of Free Cash and/or Stabilization Funds to offset the costs associated with some or all of the smaller capital improvement projects approved at Town Meeting. Additionally, the Town usually will vote to borrow through debt exclusions to fund some of the more costly capital improvement projects. Currently, the Town possesses \$573,586 in certified Free Cash and has approximately \$223,290 in the Stabilization Fund.

My FY-07 Budget recommendation includes utilizing approximately \$200,000 of Free Cash for funding some of the FY-07 capital improvement projects. Currently, there are

11 capital improvement project requests being made in FY-07. The total estimated cost associated with these proposed projects is \$494,500. The Stow Capital Planning Committee actually makes the approval recommendations for capital improvement projects at town meeting and I propose the funding sources for the approved projects. Based on the final recommendation of the Capital Planning Committee, I will adjust the actual amount of Free Cash funding for capital projects to tie out to their actual recommendations, but will I keep the amount as close to \$200,000 as possible.

I will recommend that the remaining FY-07 capital project costs be budgeted for through taxation. It is possible to fund a small amount more of the expected FY-07 capital project costs through taxation and fund less through use of Free Cash, however, using my FY-07 estimated income projections and accepting my FY-07 expenditure recommendations, the FY-07 Budget shows a positive bottom line of approximately \$72,913. I would not want to significantly reduce this amount, as it serves to hedge against any shortfall in revenues. Though there is a little room for increased taxes if it is decided that increasing taxes a small amount more is preferred to reducing the Town's Free Cash further. I have attempted to share the budget burden by applying funds from both sources. I am willing to consider moderate adjustments in this area.

I am not recommending borrowing as a funding source for capital projects in FY-07. The Town's annual debt payment is expected to increase by 25% in FY-07 without any new borrowing and I am reluctant to load any additional future debt to the schedule at this time. It is probable that the Town will need to borrow a significant amount of money within the next couple years as a new school building project is likely to be approved. I also expect, as has been the case historically, that the Town will borrow for various other municipal purposes (e.g. land purchases) in the near future.

I am also recommending that the Town appropriate \$50,000 from Free Cash to be transferred to the Stabilization Fund. In FY-06, the Town transferred \$50,000 from Free Cash to the Stabilization Fund as the beginning of what is hoped will be an annual transfer of funds to the Stabilization Fund from Free Cash in order over time to significantly increase the balance in this account. The Stabilization Fund is the Town's savings account and Stow's recent bond rating reports have indicated the need to grow this account in order to increase our bond rating. It also makes sound fiscal sense to increase our small amount of savings when we are able to reasonably do so.

RECOMMENDED EXPENDITURES:

My recommended FY-07 Budget of \$19,924,815 shows total budget expenditures increasing by 6.07% above FY-06. The Municipal Budget is increasing by 5.84%; the Nashoba Regional School District Assessment is increasing by 6.22% to \$11,522,329; the Minuteman Vocational Assessment is decreasing by 1.59% to \$971,371; the Town's annual Debt Service payment is increasing by 25% to \$1,621,305; the Raise and Appropriate Special Articles budget is decreasing by 11% to \$264,580; the Capital

Articles budget is decreasing by 12% to \$494,500 and the Town's Tax Recap costs (i.e. state and county charges) are estimated to be increasing by 11% to \$557,550 in FY-07.

The recommended FY-07 Municipal Budget is \$4,450,518 as compared to \$4,204,802 in FY-06. I have had individual meetings with each Town department head to review their respective departmental budget requests and continue to meet with some of the department heads. I continue to receive budget information from several departments in the process which may result in minor perfections being made in the numbers before town meeting. The significant FY-07 Municipal Budget changes are summarized in the next few paragraphs.

As it relates to the budget requests submitted by the various municipal departments for purposes of operations, almost the entire amount of the Municipal Budget recommendation of \$4,450,518 represents costs required to support continued operations of existing programs and staff. There are a number of budget requests that seek additional funds to increase departmental support staff hours and/or wages. In one instance, there is a request for hiring for a new part-time position. Relative to pro-forma personnel wages and salaries, all municipal employees will receive a 3% cost of living allowance and there are a number of employees who will receive a wage/salary step increase pursuant to the personnel by-laws or union contracts.

I am recommending an increase of 5 working hours per week for part-time office support staff in the Board of Health, Conservation Commission, and Town Clerk's office. These employees currently work 10 hrs per week. I am also recommending an increase of 3 hours per week for the Police Department clerk to a total of 8 hours per week. I am persuaded that each of these positions require an incremental increase in hours to reasonably manage the increasing workloads associated with their respective jobs. The total budget impact for the increased hours in these positions collectively is \$11,983.

I am also supporting an increase of 8 hours per week for the part-time assistant that is currently shared by the Finance Committee and Information Technology Advisory Committee (ITAC). In addition to an increase in the demands of the ITAC, which is responsible for managing all aspects to the Town's information technology system, there have been unmet needs in managing the town's website which these additional hours will accommodate. These increased hours will also allow this person to fulfill the administrative needs of the Town's Cultural Council which has historically had no staff support. This increase in hours will cost \$5,915 annually

I am recommending an increase in the weekly work hours of the Fire Department's administrative assistant from 28 to 40, making it a full-time position. The part-time administrative assistant works the day shift when there are 3 full-time firefighters on duty. The chief has requested that the administrative assistant become full-time in order to allow her to serve when necessary as a fourth firefighter. Lisa is a fully trained firefighter/emergency medical technician for the department. She will continue to work as the administrative assistant, but will be available on an as needed basis to provide various functions as a firefighter and emergency medical technician. This staffing

increase will enable Stow to meet the federal guidelines for staffing levels on the day shift. The added annual cost for this increase in hours is \$9,927.

I am recommending creating a new part-time clerical position in the Assessors office working 15 hours per week. A couple years ago, Bob Billups retired as an Assessor. During his lengthy tenure as an Assessor, Bob regularly assisted in the office performing various assessment functions. Since his retirement, the Assessor's Office has not replaced those work hours. There is a need to supplement the current in-house staffing in order to reasonably manage the increasing demands of this department. With this increase in staff support, Stow's Assessor's office will be staffed at a level that is equal to the average staffing levels of several area Towns similarly situated to Stow. The new position will cost \$10,272 annually.

I am supporting the request from the Building Inspector to begin to provide him with compensation for the services he provides in the area of facilities management in addition to his duties and responsibilities as Building Inspector. As Building Inspector, Richard Roggeveen performs many functions and services beyond those typically assumed in the position of Building Inspector. At times, he serves as part-time project manager on capital projects undertaken by various Town departments (e.g. Randall Library repairs; Town Building and Town Hall improvements and repairs). He assumes the responsibility of ensuring that regular building maintenance is performed on the Town Hall and Town Building. He further provides technical assistance to various other Town departments on capital projects (e.g. Police Department and Fire Department). I am recommending \$6,500 annually for compensation which assumes 1 hour per week at \$25 per hour.

Within the Municipal Budget total of \$4,450,518 there are three town-wide expense line items which are expected to increase noticeably in FY-07. First, the Town's group health insurance premiums are expected to increase by approximately 7.58% in FY-07. The Town belongs to a consortium of towns and school districts called Minuteman Nashoba Health Group and it is estimated that the Town's FY-07 premium will increase from \$468,354 to \$503,850. Also, the Town's Property and Casualty and Workers' Compensation insurances are expecting to increase by 7.5% to \$114,700. Finally, the Town's annual payment to the Middlesex County Retirement system is set at \$368,713 for FY-07 which represents a 15% increase above FY-06.

The town faces significant FY-07 increases in several accounts to accommodate increases in heating fuel, gasoline, and building utility charges, including the Municipal Buildings accounts.

There are a few substantive departmental expense requests I am supporting such as the purchase of a new jail cell video security system by the Police department for approximately \$9,500. This will replace the current security monitoring system which delivers faulty audio. I am also recommending a \$1,500 increase in the COA expense budget to enable the new staff to enroll in professional development courses and some increase in funds to subsidize Town Building visits by public health service professionals assisting Stow's elderly. In the Town Clerk's expenses, increases are needed to fund

elections in FY-07. A \$1,000 increase in the Building Inspector's department expenses is needed to fund mandatory training for the Town's mechanical inspectors.

The current assessment estimate for the Nashoba Regional School District is \$11,522,329 and this amount represents an increase of 6.22% above the Town's FY-06 assessment of \$10,848,016. The FY-07 Minuteman Vocational Technical School assessment is currently estimated at \$971,371 which represents a decrease of 1.59% from the Town's FY-06 assessment of \$987,068. Both of these assessment estimates are based on estimated Local Aid amounts contained in the Governor's proposed state budget. The state Senate and House have not yet announced their FY-07 Local Aid numbers.

The Town's annual debt payment is expected to increase by approximately 25% in FY-07 to \$1,621,305 from \$1,294,683 in FY-06. The reason for the 25% increase is that in FY-06 the Town voted to borrow the funds necessary to purchase modular school classrooms for \$230,000; it also voted to borrow \$658,050 as a partial payment toward the purchase of the Cushing property; and it borrowed \$350,00 to fund the purchase of a new fire truck. Collectively, the annual principle and interest payments for these 3 FY-06 capital purchases will total approximately \$325,000 and the initial debt payment will be made in FY-07. The matter of the Cushing property purchase is still not resolved and will be determined in Land Court over the next several months.

The Town's estimated expenditures in Raise and Appropriate Special Articles for FY-07 is \$264,580 which represents a decrease of 11% (\$34,038) compared to FY-06. The list of Special Articles funding requests is contained in the Budget Request Report. In FY-07, all of the funding requests in this budget area represent requests for continued funding of existing programs, including funding of the Reserve Fund and the Legal account. There are no requests for funding of new programs in FY-07.

The Planning Board is seeking \$5,000 to supplement their consulting account for services related to the Master Plan development and zoning related issues. The Conservation Commission is requesting \$10,000 to supplement their trust fund account which is up from \$5,000 requested in FY-06. The Assessors are seeking \$30,000 in their property valuation special article account, double the FY-06 amount of \$15,000, as it is a re-valuation year in FY-07. Finally, the ITAC is seeking an increase of approximately \$10,000 in their special article primarily resulting in from the increased support costs associated with purchase of lap-top computers in police cruisers.

In the area of Capital Articles, the FY-07 budget requests total \$494,500. This represents a decrease of 12% below FY-06.

There is a request of \$33,000 for purchase of a truck for the Cemetery department and \$80,000 for the purchase of a backhoe for the Highway department. The Police department seeks \$33,000 for a new police cruiser. There is a total of 7 separate FY-07 capital project requests seeking to make various facility improvements and repairs to Pompositticut, Center and Hale schools totaling approximately \$298,500. Included in this total is \$125,000 for air conditioning at Hale school; 25,000 for roof repairs at Hale

school; 18,500 for locker replacements at Hale school; \$50,000 for kitchen updates at Hale school; \$50,000 for gym ceiling replacement at Center school; \$15,000 for floor/ceiling replacement at Center school; \$15,000 for driveway safety improvements at Pompositticut school.

My FY-07 Budget recommendation provides for reasonable funding levels for all of Stow's municipal programs and services together with necessary incremental increases in the work hours of a few support staff positions. This proposed budget is based on reasonable revenue projections and is balanced with approximately \$72,913 of unused levy capacity.